



# SURVEY OF ECONOMIC DEVELOPMENT PROGRAMS IN MICHIGAN

2ND EDITION

June 2007

Report 347

*CITIZENS RESEARCH COUNCIL OF MICHIGAN*

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## GRANTS OR DIRECT SUBSIDIES

*Community Development Block Grants  
Cool Cities Grants and Planning Programs  
Transportation Economic Development Grants  
Disadvantaged Business Enterprise Program*



# Survey of Economic Development Programs in Michigan

## COMMUNITY DEVELOPMENT BLOCK GRANTS

### *Downtown Improvement, Infrastructure and Planning Initiatives*

#### Summary Program Description

Over \$40 million of federal Community Development Block Grants (CDBG) are annually administered by the Michigan Economic Development Corporation and the Michigan State Housing Development Authority's Community Assistance Team. Michigan's CDBG downtown initiatives financially assist communities that target key downtown areas to enhance the downtowns' appearance, promote the downtowns as "communities of choice" and stimulate private investment. All CDBG downtown programs supply matching grants intended to stimulate private investment and job creation.

#### Eligibility and Benefits

Three types of CDBG downtown initiatives are available: Downtown Improvement Initiatives, Downtown Infrastructure Projects and Downtown Planning Projects. Project eligibility is limited to traditional downtowns within nonentitlement communities. Traditional downtowns are groupings of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance in areas zoned, planned, or utilized for commercial development for at least 50 years. Nonentitlement jurisdictions are cities, villages and townships with populations under 50,000 and non-urban counties. Most municipalities in Michigan are nonentitlement and therefore do not receive CDBG funds directly from the federal government. Municipalities that do receive CDBG directly from the federal government are listed in *Appendix B*.

Projects must have committed local matches from specified funding sources and must be located within Downtown Development Authorities or like districts. Projects that have already started or that have obligated funds are not eligible.

See the MSHDA Web site for application materials: [www.michigan.gov/mshda](http://www.michigan.gov/mshda)

#### *Downtown Improvement Initiatives*

##### *Façade Improvement Initiative*

A matching grant program that assists communities, in cooperation with property owners, in making exterior improvements to an entire traditional downtown, block or portion of a block in an area within a Downtown Development Authority (See page 77) or similar district (e.g., Principal Shopping District or Business Improvement Zone (See page 86)).

Communities must meet job creation or area-wide benefit requirements: 51 percent of new jobs must be held by low- to moderate-income persons, or, for communities' on the CDBG low- to moderate-income community list with populations less than 15,000, area-wide benefit must be demonstrated. Priority is given to communities that demonstrate a fast track plan to complete significant, entire façade improvements to buildings that face major streets or public spaces and to create jobs before the end of the year following grant approval. A 50 percent local match in cash is required; in-kind contributions are not eligible. The minimum and maximum CDBG requests are \$25,000 and \$200,000, respectively.

##### *Signature Building Initiative*

A matched grant program that assists communities in acquiring vacant or underused traditional signature building(s) located within a Downtown Development Authority, or like district, for the purpose of rehabilitation and commercial mixed use.

To be eligible, the project must create jobs with 51 percent of new jobs held by low- to moderate-income persons. Communities must demonstrate that they can acquire and rehabilitate the property and create jobs before the end of year following grant approval. A local match equal to 25 percent of

the total project cost is required. Maximum CDBG request is \$400,000; requests may not exceed the average of two appraisals.

## *Downtown Infrastructure Projects*

### *Economic Development Infrastructure*

A program to assist communities with public infrastructure improvements that are necessary for the location, expansion or retention of private businesses that are engaged in economic base activities (e.g., manufacturing, point-of-destination tourism, headquarters, etc.). Eligibility is based on job creation, with 51 percent of jobs to be held by low- to moderate-income persons. Specific priority will be given to projects that can use \$10,000 or less CDBG funds per job created or retained and that can be completed within a two-year period.

### *Downtowns and Gateways*

This program is designed to assist communities with public infrastructure improvements that directly support private redevelopment in traditional downtowns or significant community gateways to downtowns. Specific priority is given to projects that can use \$20,000 or less in CDBG fund per job created or retained.

Priority for both Economic Development Infrastructure and Downtowns and Gateways Infrastructure Programs is given to projects that can leverage the most private investment and job creation. Special priority will be given to projects that create at least 10 permanent full-time jobs and can leverage public and private funding to CDBG funding at a ratio of 2:1 or more, with at least 10 percent of the total project costs being paid for by the local government. Notices of Intent are authorized year round subject to funding.

### *Public Works*

A program to assist communities with public works activities, especially the upgrade or addition of needed capacity to existing infrastructure. Funds may also be used for public facilities. All projects must benefit low- to- moderate income persons. This program is administered by MEDC as funds are available. Priority will be given to projects with the highest percentage of matching funds in terms of local government commitment and private sector contributions. The maximum grant for any individual project is \$1 million.

## *Downtown Planning Projects*

### *Downtown Planning/Marketing*

This program provides a matching grant to assist communities in developing downtown-specific public planning. Eligibility is based on area-wide benefit and job creation. The maximum CDBG funds granted is \$50,000. The local match must be a cash contribution. Communities must demonstrate that the plan can be completed within one year and that it can be implemented upon completion. Notices of Intent are authorized year round subject to funding.

### *Downtown Economic Development Planning*

Planning grants are available to local units of government with fewer than 50,000 population for costs associated with planning for economic development projects, including design and site planning. Grants may not exceed \$50,000, and a local funding match of at least 10 percent of the proposed project costs is required. These planning grants are administered by the Michigan Strategic Fund.

*Discretionary grants* may also be considered for unique circumstances or needs such as brownfield redevelopment, downtown development or general public infrastructure projects.

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## Data and Source

Communities with potential downtown or gateway projects should contact the MSHDA Community Assistance Team at:

Michigan State Housing Development Authority  
Attn: Community Assistance Team  
735 East Michigan Avenue  
Lansing, Michigan 48909  
517-241-1737

Communities with potential business projects should contact their MEDC account manager. A list of account manager offices and phone numbers is available in *Appendix C*.

Source: MSHDA and MEDC.

## COOL CITIES GRANTS AND PLANNING PROGRAMS

### Summary Program Description

The Michigan Cool Cities Grants and Planning Programs is a competitive program that provides funding, technical assistance, priority access to state economic development tools, and “Cool Cities” brand marketing to successful applicants for the purposes of building vibrant, diverse downtowns and neighborhoods that will attract talent, create jobs and support innovation.

### Eligibility and Benefits

There were four Michigan Cool Cities Grants and Planning Programs in 2006 and each had a slightly different benefit and eligibility requirement. However, to participate, all municipalities must create a diverse and representative Local Cool Cities Advisory Group.

*Neighborhoods in Progress* is the largest Cool Cities program and the only program offering 50/50 matching cash grants, called Catalyst Grants. Recipients may receive Catalyst Grants of up to \$100,000 to create environments able to attract and retain urban residents. Recipients also receive three years of priority access to the State Resource Toolbox, which is a catalog of state grants, loans, tax incentives and services. The neighborhood must be located in a city that has a two- or four-year higher education institution, a local historic or National Register Historic District, an active arts agency, and that has, or has a plan for, mixed-use, mixed-income housing, and a pedestrian-friendly environment.

*Michigan Main Street* focuses on revitalization by preserving historic structures and building long-term management capacity. The program was first administered by MEDC in Fiscal Year 2002, and became a Cool Cities program in Fiscal Year 2005. Recipients receive five years (increased from three years in Fiscal Year 2006) of customized technical assistance and training in the National Trust for Historic Preservation's community-driven approach to downtown revitalization. This methodology, called the Main Street 4-Point Approach, uses organization, promotion, design and economic restructuring to revitalize and maintain successful downtowns. All cities, villages and townships with a traditional downtown or commercial center that agree to hire a full-time Main Street Manager and that meet program criteria are eligible. The Michigan State Housing Development Authority (MSHDA) provides a total of up to \$166,000 in training and assistance. Detroit and Oakland County communities that already have Main Street programs are excluded.

*Blueprints for Michigan's Downtowns* supports a three- to five- year community planning process. Like the Main Street program, this program was administered by MEDC until Fiscal Year 2005. Recipients are provided with a nationally known downtown revitalization expert and MSHDA staff to conduct a market study and an action-oriented revitalization strategy. All cities, villages and townships with traditional downtowns are eligible to apply. The consultant fee is paid for by a 50/50 match between the municipality and MSHDA.

*Blueprints for Michigan's Neighborhoods* allows communities to work with a consultant to develop a revitalization plan for a neighborhood that is adjacent to a traditional downtown. Fifty-one percent of the target neighborhood's residents must have incomes at or below 80 percent of area median income to qualify. The program is explicitly for communities that meet the definition of “qualified local government units” under the Obsolete Property Rehabilitation Act (see *Appendix D*) and that are not eligible to receive Community Development Block Grants directly from the federal government (most municipalities in Michigan meet this criterion; see *Appendix B* for a list of the communities that do not.) A consultant, paid for by the local unit, works with the community to identify a vision, priorities, revitalization strategy, market plan and course of action for a neighborhood that is adjacent to the traditional downtown. Upon completion of the plan, the local unit is eligible to receive CDBG funding.

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As defined by MSHDA, a *traditional downtown* is a grouping of 20 or more commercial parcels of property that includes multi-story buildings of historical or architectural significance and the area must have been zoned, planned or used for commercial development for 50 or more years. For Cool Cities Grants and Planning Programs, the area primarily must consist of zero-lot-line development (i.e. buildings that are built up to the edge of the lot); pedestrian friendly infrastructure; an appropriate mix of business and services; and must be represented by a specific, downtown business organization like a Downtown Development Authority or Business Improvement District.

## Data and Source

Cool Cities Grants and Planning Programs are administered by the Department of Labor and Economic Growth, but are funded through a variety of sources, such as Federal CDBGs, MSHDA restricted revenue, MEDC corporate funds and General Fund Arts and Culture Grants provided by the Department of History, Arts and Libraries. The table below shows the fund sources and totals by year.

<u>Source</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total</u>
CDBG	\$1,461,715	\$745,500	\$2,207,215
MSHDA	612,500	570,500	1,183,000
MEDC	600,000	—	600,000
GF/GP	220,955	220,000	440,995

Source: Elizabeth Pratt and Maria Tyszkiewicz, "Cool Cities," Senate Fiscal Agency Issue Paper, January 2007. [www.senate.michigan.gov/sfa/Publications/Issues/CoolCities/CoolCities.pdf](http://www.senate.michigan.gov/sfa/Publications/Issues/CoolCities/CoolCities.pdf)

## Neighborhoods in Progress

Since the Neighborhoods in Progress inception in Fiscal Year 2004, the program has awarded a total of \$4.4 million in Catalyst Grants to 28 cities, with the Cities of Detroit, Flint, Grand Rapids, Lansing and Kalamazoo each receiving grants for multiple projects.

### 2006 Designees:

- City of Adrian Downtown Development Authority\*
- Citizens for Progressive Change (Benton Harbor)
- City of Cadillac\*
- City of Dearborn, Chamber of Commerce, West DDA, West Business Association\*
- Arab American & Chaldean Council (Detroit)
- Focus: HOPE (Detroit)
- Grandmont Rosedale Development Corporation (Detroit)
- Genesee County Lank Bank Authority/Kettering University (Flint)
- Lighthouse Communities, Inc. (Grand Rapids)
- City of Howell
- City of Ionia
- Economic Development Corporation of Lansing
- City of Mount Clemens
- Muskegon Main Street
- City of Pontiac, Pontiac Growth Group
- Saginaw Depot Preservation Corporation\*

\* Recipients of priority access to the State Resource Toolbox only.

## *2005 Designees:*

Ann Arbor Cool Cities Task Force  
Battle Creek Unlimited  
Greater Corktown Development Corporation (Detroit)  
New Center Council, Inc (Detroit)  
University Cultural Center Association (Detroit)  
Woodbridge Neighborhood Development Corporation (Detroit)  
City of East Lansing  
Roosevelt Park Neighborhood Organization (Grand Rapids)  
West Grand Neighborhood Organization (Grand Rapids)  
Park Theatre Foundation (Holland)  
City of Kalamazoo  
Allen Neighborhood Center (Lansing)  
City of Traverse City

## *2004 Designees:*

City of Alpena  
City of Bay City  
Eastern Market, Greater Downtown Partnership (Detroit)  
Jefferson East Business Association (Detroit)  
Southwest Detroit Business Association (Detroit)  
Ferndale Downtown Development Authority  
Uptown Reinvestment Corporation (Flint)  
Dwelling Place of Grand Rapids, Inc.  
East Hills Council of Neighbors (Grand Rapids)  
City of Jackson  
City of Kalamazoo  
City of Marquette  
Community Foundation of St. Clair County (Port Huron)  
City of Portland  
City of Saginaw  
City of Saugatuck  
Soo Theatre Project, Inc. (Sault Ste. Marie)  
Warren Downtown Development Authority  
City of Ypsilanti

## *Main Street*

Since inclusion in the Cool Cities program in Fiscal Year 2005, Main Street designated communities have received over \$540,000 in technical assistance and training.

*2006 Designees:* The Cities of Lansing and Iron Mountain

*2005 Designees:* The Cities of Grand Haven, Howell, Ishpeming, and Midland

# Survey of Economic Development Programs in Michigan

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## *Blueprints for Michigan's Downtowns*

Since inclusion in the Cool Cities program in Fiscal Year 2005, Blueprints for Michigan's Downtowns has provided more than \$200,000 in matching funds. In Fiscal Year 2006, the match ranged from \$15,000 to \$32,000.

*2006 Designees:* The Cities of Charlevoix, Muskegon Heights, Oscoda, Petoskey, and Tecumseh

*2005 Designees:* The Cities of Big Rapids, East Tawas, Grass Lake, Iron River, Romeo, Utica, Vassar, and Whitehall

## *Blueprints for Michigan's Neighborhoods*

In Fiscal Year 2005, the program received over \$1 million in CDBGs and the State paid for 50 percent of the consultants fees. In Fiscal Year 2006, recipients were required to pay the full consultant fee and none applied.

*2005 Designees:* The Cities of Cadillac, Kalamazoo, and Muskegon

Sources: MSHDA; Office of the Governor; [www.coolcities.com](http://www.coolcities.com);

Elizabeth Pratt and Maria Tyszkiewicz, "Cool Cities," Senate Fiscal Agency Issue Paper, January 2007. [www.senate.michigan.gov/sfa/Publications/Issues/CoolCities/CoolCities.pdf](http://www.senate.michigan.gov/sfa/Publications/Issues/CoolCities/CoolCities.pdf)

## Discussion

The Michigan Cool Cities Grants and Planning Programs have greatly expanded in scope. MEDC initially administered the Main Street and Blueprints programs, starting in Fiscal Year 2002. Three years later, the programs were transferred to MSHDA under the umbrella of Cool Cities and the largest program, Neighborhoods in Progress, was added. The Cool Cities programs offer an innovative approach to connect local communities with state incentives. Additionally, the program offers designees the "Cool Cities" marketing brand.

## TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRANTS

### Enabling Act; Statutory Citation

1987 PA 231; MCL 247.909

### Summary Program Description

The Michigan Department of Transportation (MDOT) administers an Office of Economic Development and Enhancement (OEDE) that manages several types of economic development programs under the Transportation Economic Development Fund. Grant programs A, (B discontinued), C, D, E, and F are briefly described as follows:

*Category A* grants are targeted at specific industries, namely, agriculture and food processing; tourism; forestry; high technology research; manufacturing; mining; and office centers of at least 50,000 square feet.

*Category C* grants are aimed at reducing congestion on county primary and city major streets within urban counties.

*Category D* grants fund projects that create an all-season network of roads in rural areas.

*Category E* grants create and improve forest roads.

*Category F* grants are dedicated to road improvements that compliment the all-season network in rural counties.

### Benefits and Eligibility Criteria

OEDE administers a direct grant process for Category A, C and F projects. The direct grant process allows OEDE to authorize a local agency as the administrative body of a contract; the agency receives the grant directly when the construction contract is awarded. Local agencies must confirm that they are adequately staffed, equipped, and organized to administer projects. The agency must also review with OEDE staff the state/local agreement and forms that must be completed and returned to the OEDE during the process. Local agencies have significantly increased responsibility for direct grants.

According to MDOT, the objectives of each grant category are as follows:

#### *Category A Grants*

1. To improve the network of highway services essential to economic competitiveness;
2. To improve accessibility to target industries as a catalyst for economic growth;
3. To support private initiatives that create or retain jobs; and
4. To encourage economic developments that improve the health, safety and welfare of Michigan citizens.

#### *Category C Grants*

1. To improve the operational level of service in heavily congested areas;
2. To reduce the accident rate on heavily congested roadways; and
3. To improve the surface and base condition of heavily congested roadways.

#### *Category D Grants*

1. To complement the existing state trunkline system with improvements on connecting local routes that have high commercial traffic; and
2. To minimize the disruptions that result from seasonal load restrictions.

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## *Category E Grants*

1. To increase access to harvestable forest resources; and
2. To increase the safety and efficiency of forest raw material transport.

## *Category F Grants*

1. To improve all season capabilities on routes having high commercial traffic;
2. To improve access to the state trunkline system; and
3. To coordinate with the secondary all-season system (Category D) or provide all-season routes within a city.

## Changes since Program Inception

MDOT enacted administrative changes in 1999 aimed at streamlining the grant and contract letting process. Specifically, Executive Orders 1999-1 and 1999-2 change the administration of Category A grants to:

1. Allow for a rolling application process instead of an annual deadline based process.
2. Allow applicants to submit a one-page summary Letter of Interest as a screening mechanism for grant consideration. Upon approval of the Letter of Interest, applicants are encouraged to submit a full grant application.
3. Allow local agencies to let and administer construction contracts, as well as have greater responsibility in project planning.

In 2000, the Office of Economic Development and Enhancement implemented a Direct Grant process for administering Category A grants which significantly reduced the cycle time and costs associated with project development from grant approval through audit. In 2001, the direct grant project was extended to Category C and Category F projects.

## Source of Revenue

On an annual basis, TEDF is funded with \$40.275 million from the Michigan Transportation Fund plus a portion (approximately \$12 million) from drivers' license fees. The TEDF also receives Federal transportation funds.

## Data and Source

During Fiscal Year 2006, 15 Category A projects were evaluated and approved for funding. Category A projects represent over \$18 million dollars of public investment and the creation and/or retention of over 7,299 jobs. Category C projects received \$19.7 million in funds for congestion relief. Category D projects received \$20.8 million in funds for rural counties. Category E projects received \$5 million in funds for forest roads. Nine Category F projects were approved, which resulted in grants totaling over \$2.5 million.

The Office of Economic Development and Enhancement also administers the Transportation Enhancement Program, a competitive grant program to fund non-motorized paths, aesthetic improvements, and historic preservation, and the State Infrastructure Bank program to provide low interest loans to public infrastructure improvements. For more information, see the Web site at: [www.michigan.gov/mdot/0,1607,7-151-9621\\_17216--,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9621_17216--,00.html)

Source: MDOT

## DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

A federally-mandated program for preferred transportation contracting, the Disadvantaged Business Enterprise Program is administered by the Michigan Department of Transportation (MDOT) to benefit minority business enterprise concerns. Certified Disadvantaged Business Enterprises (DBE) are eligible for MDOT contract awards, training opportunities, and technical and business support services.

Minority business enterprise is a business enterprise that is owned or controlled solely by one or more socially or economically disadvantaged persons. The disadvantage may arise from cultural, racial, chronic economic circumstances or background, or other similar cause.

MDOT proposed a Disadvantaged Business Enterprise Goal of 11 percent (of contract dollars let) for Fiscal Year 2007. The Department projects the goal to be met through race-neutral (2.5 percent) and race-conscious (8.5 percent) means.

At the 2006 general election, voters approved a constitutional amendment known as the Michigan Civil Rights Initiative or Proposal 2. This amendment prohibits the state from discriminating against, or granting preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting. However, a subsection of the amendment reads, "This section does not prohibit action that must be taken to establish or maintain eligibility for any federal program, if ineligibility would result in a loss of federal funds to the state." The DBE program is a state-run federal program that is required to receive federal funds pursuant to federal legislation (see The Transportation Equity Act for the 21<sup>st</sup> Century or TEA-21). The DBE program is not affected by state legislation and therefore should not be affected by Proposal 2. Furthermore, state transportation dollars are maintained separately and are not used to comply with the DBE program.

For more information on Proposal 2006-02, please see the CRC report "Statewide Issues on the November General Election Ballot, Proposal 2006-02: Michigan Civil Rights Initiative."

For more information on the Disadvantaged Business Enterprise program, see the Michigan Department of Transportation Web site at [www.mdot.state.mi.us/business/dbeinfo.htm](http://www.mdot.state.mi.us/business/dbeinfo.htm).